greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Financial report for the eight months ending 29 February 2012

1. Purpose

To inform the Council of Greater Wellington's financial performance for the eight months ending 29 February 2012 and to provide an explanation of major variances to budget by Group.

2. The decision-making process and significance

No decision is being sought in this report.

3. Background

Financial statements are prepared and presented to management for review each month. A detailed report is given to the Council each quarter. In the intervening months, reports to the Council are done by exception.

The Funding Impact Statement and Balance Sheet for Greater Wellington are attached (refer **Attachments 1 and 2**).

4. Financial Performance – Council

4.1 Year to date

Greater Wellington achieved an operating surplus of $1,076k (budget, a deficit of $2136k) for the eight months ended 29 February. This result excludes revenue and expenditure for; public transport capital improvement projects; forestry cost of goods sold; Warm Greater Wellington installations; and valuation movements. Including these amounts, Greater Wellington made a deficit of $7,502k (budget, a deficit of $9,830k).

Details of the variances and performance by Group for the eight months are discussed in section 5.

4.2 Financial summary – Council

Greater Wellington Regional Council Summary income statement	For the 8 months ended 29 February 2012 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Regional rates	53,907	56,568	56,568	-
Water supply levy	15,640	16,109	16,109	-
Other operating revenue	52,697	57,140	56,143	997
Total operating revenue	**122,244**	**129,817**	**128,820**	**997**
Operational expenditure	(119,561)	(128,741)	(130,956)	2,215
Operating surplus/(deficit) before transport improvements	**2,683**	**1,076**	**(2,136)**	**3,212**
Operating (deficit) from transport improvements	309	(4,230)	(13,249)	9,019
Operating surplus/(deficit) before unrealised items	**2,992**	**(3,154)**	**(15,385)**	**12,231**
Non-operational movements	(2,464)	(4,348)	5,555	(9,903)
Operating surplus/(deficit)	**528**	**(7,502)**	**(9,830)**	**2,328**

4.3 Financial summary – Council by Group

Greater Wellington Regional Council Summary income statement	For the 8 months ended 29 February 2012 Last Year $000s	 Actual $000s	 Budget $000s	 Variance $000s
Operational Groups				
Catchment Management	2,472	3,275	2,365	910
Environmental Management	226	161	539	(378)
Forestry	(403)	(1,033)	(1,021)	(12)
Regional Parks	75	(91)	(34)	(57)
Public Transport	(678)	(861)	(1,092)	231
Total rates funded operational surplus / (deficit)	**1,692**	**1,451**	**757**	**694**
Corporate				
Strategy & Community Engagement	158	1,107	492	615
Finance and Support	272	456	(607)	1,063
Other corporate activities	113	295	147	148
Investment Management	5,240	6,319	6,184	135
Business unit rates contribution	(4,367)	(6,958)	(6,958)	-
Total rates funded operating surplus / (deficit)	**3,108**	**2,670**	**15**	**2,655**
Water	(425)	(1,594)	(2,151)	557
Total rates & levy funded operating surplus / (deficit)	**2,683**	**1,076**	**(2,136)**	**3,212**
Non-operational movements				
Forestry cost of goods sold	(1,227)	(1,060)	(312)	(748)
Grants for Baring Head Purchase	-	-	-	-
Warm Greater Wellington	(1,238)	(3,290)	(2,003)	(1,287)
EMU investment - GW Rail	1	-	7,874	(7,874)
Public Transport - improvements	309	(4,230)	(13,249)	9,019
Total Council surplus / (deficit)	**528**	**(7,502)**	**(9,830)**	**2,328**

4.4 Forecast to 30 June 2012

Greater Wellington is forecasting an operating deficit of $2,446k (budget, a deficit of $2,803k) for the year to 30 June 2012. This forecast excludes revenue and expenditure for public transport capital improvement projects and revaluations. Including these amounts, Greater Wellington is forecasting a deficit of $4,174k (budget, a deficit of $12,202k).

4.5 Financial forecast – Council

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012 Last Year $000s	 Forecast $000s	 Budget $000s	 Variance $000s
Regional rates	81,933	84,852	84,852	-
Water supply levy	23,460	24,164	24,164	-
Other operating revenue	83,102	90,377	87,453	2,924
Total operating revenue	**188,495**	**199,393**	**196,469**	**2,924**
Operational expenditure	(184,446)	(201,839)	(199,272)	(2,567)
Operating surplus/(deficit) before transport improvements	**4,049**	**(2,446)**	**(2,803)**	**357**
Operating (deficit) from transport improvements	(7,458)	(25,273)	(47,025)	21,752
Operating surplus/(deficit) before unrealised items	**(3,409)**	**(27,719)**	**(49,828)**	**22,109**
Non-operational movements	16,947	23,545	37,626	(14,081)
Operating surplus/(deficit)	**13,538**	**(4,174)**	**(12,202)**	**8,028**

Note, the budgeted deficit arises from the accounting treatment for the purchase and funding of passenger rail rolling stock and station upgrades that will be owned by the Greater Wellington subsidiary Greater Wellington Rail Limited.

Council must grant the Crown's full share of the costs for Greater Wellington's rail rolling stock and station upgrades directly to Greater Wellington Rail Limited as the upgrades are undertaken, whereas, the Crown's revenue is only received as the debt repayment and finance costs are incurred over future years. This funding shortfall creates the operational deficit which is met by debt. In future years the revenue for debt repayments creates operational surpluses as there is no grant expenditure relating to that income, just debt repayment and finance costs.

Greater Wellington is of the opinion that it is appropriate to debt fund this expenditure as it relates to the improvement of the public transport assets owned by Greater Wellington's subsidiary and it is not equitable to recover these costs immediately in the year they are incurred from current ratepayers.

Financial forecast – Council by Group

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2012 Last Year $000s	 Forecast $000s	 Budget $000s	 Variance $000s
Operational Groups				
Catchment Management	3,580	3,374	3,192	182
Environmental Management	(27)	(53)	96	(149)
Forestry	(368)	(1,534)	(1,534)	-
Regional Parks	(1,323)	(259)	(223)	(36)
Public Transport	(1,750)	(2,486)	(1,775)	(711)
Total rates funded operational surplus / (deficit)	**112**	**(958)**	**(244)**	**(714)**
Corporate				
Strategy & Community Engagement	315	543	577	(34)
Finance and Support	1,102	(973)	(964)	(9)
Other corporate activities	46	226	168	58
Investment Management	9,943	12,447	11,421	1,026
Business unit rates contribution	(6,550)	(10,433)	(10,433)	-
Total rates funded operating surplus / (deficit)	**4,968**	**852**	**525**	**327**
Water	(919)	(3,298)	(3,328)	30
Total rates & levy funded operating surplus / (deficit)	**4,049**	**(2,446)**	**(2,803)**	**357**
Non-operational movements				
Forestry cost of goods sold	(1,899)	(467)	(467)	-
Grants for Baring Head Purchase	1,100	-	-	-
Warm Greater Wellington	280	(4,309)	(2,801)	(1,508)
EMU investment - GW Rail	13,341	27,208	39,781	(12,573)
Public Transport - improvements	(7,458)	(25,273)	(47,025)	21,752
Total Council surplus / (deficit)	**13,538**	**(4,174)**	**(12,202)**	**8,028**

5. Financial Performance – by Group

5.1 Catchment management

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	16,324	19,580	20,271	(691)	24,592	29,871	30,136	(265)
Operating expenditure	13,852	16,305	17,906	1,601	21,012	26,497	26,944	447
Operating surplus / (deficit)	2,472	3,275	2,365	910	3,580	3,374	3,192	182
Net capital expenditure	1,806	3,025	2,887	(138)	4,256	7,731	5,553	(2,178)

5.1.1 Year to date

A favourable operating variance of $910k, comprising lower revenue of $691k and lower operating costs of $1,601k primarily due to the timing of the work programmes compared to budget.

- Operating revenue is lower than budget due mainly to:
  - Reduced external revenue of $549k from the Animal Health Board due to delays in issuing 2011/12 contracts and timing of contract operations.
  - Reduced gravel extraction revenue of $40k.

- Reduced isolated works revenue of $78k due to reduced flood protection work in the Eastern Zone.

- Operating expenditure was lower than budget due mainly to:

  - Contract expenditure ($718k) for flood protection was favourable due to timing of Wairarapa, Hutt and Kapiti river maintenance works.

  - Contract and materials expenditure for Biodiversity was $426k favourable due to the timing of various implementation programmes.

  - Contract and materials expenditure for Biosecurity was $331k favourable due to the timing of Pest Management and predator control work.

- Capital expenditure is $138k ahead of budget primarily due to:

  - The timing of the LWVD stop bank improvements.

5.1.2 Forecast to 30 June 2012

- The forecast operating surplus of $3,374k is $182k better than budget due to:

  - Savings of 296k due to timing of QEII expenditure.
  - The above is offset by reduced gravel extraction and NZTA related works revenue of $170k and reduced revenue and expenditure from AHB contracts.

- The forecast capital expenditure to June 2011 is expected to be $2,178k higher than budget. This is due to:

  - River works from mouth to SH1 on the Otaki River costing an extra $200k for additional erosion control work.

  - Otaki expenditure is expected to be $366k over budget due to the settlement of the Chrystalls land purchase.

  - LWVD flood improvements will be $333k over budget due to bringing forward expenditure from 2012/13 for the Tobin’s stopbank.

  - Additional expenditure of $1,300k on Boulcott stopbank works as the programme has been brought forward from 2012/13.

5.2 Environmental management

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	8,190	8,809	8,249	560	13,576	12,947	12,472	475
Operating expenditure	7,964	8,648	7,710	(938)	13,603	13,000	12,376	(624)
Operating surplus / (deficit)	226	161	539	(378)	(27)	(53)	96	(149)
Net capital expenditure	142	57	315	258	178	369	369	-

5.2.1 Year to date

Overall, an unfavourable operating variance of $378k, comprising higher revenue of $560k and higher expenditure of $938k.

- Operating revenue is ahead of budget primarily due to:
  - Higher external revenue from consents regulation which is $501k ahead of budget. This includes on-charging of costs related to Transmission Gully and the Genesis Energy Wind farm.
  - $104k of restitution income carried forward from earlier periods
- Operating expenditure was more than budget due mainly to:
  - Costs of consultants are $647k ahead of budget due to projects starting earlier than planned. The costs in relation to consents regulation which have been on-charged has also contributed to this variance.
  - Costs of consultants in the policy department are $132k ahead of budget due to additional work required for the Regional Plan.
  - Personnel costs are $80k more than budget due to unbudgeted redundancy costs.
- Capital expenditure is below budget due to timing of planned work. The forecast is expected to be on budget.

5.2.2 Forecast to 30 June 2012

- The forecast operating deficit of $53k is $149k worse than budget due to:
  - $132k estimated increase in personnel costs for the group taking into account redundancy costs and savings arising from vacancies.
  - $100k increase in consultants' costs for the plan review work.
  - $408k increase in consultants' costs for consent applications, this is on-charged resulting in the increased forecast operating revenue.

5.3 Forestry

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,707	4,600	4,426	174	7,415	6,639	6,639	-
Operating expenditure	5,109	5,633	5,446	(187)	7,783	8,173	8,173	-
Operating surplus / (deficit) before cost of goods sold	(402)	(1,033)	(1,020)	(13)	(368)	(1,534)	(1,534)	-
Cost of goods sold*	1,228	1,060	313	(747)	1,899	467	467	-
Operating surplus / (deficit) before valuation	(1,630)	(2,093)	(1,333)	(760)	(2,267)	(2,001)	(2,001)	-
Forestry valuation	-	-	-	-	8,162	1,400	1,400	-
Operating surplus / (deficit)	(1,630)	(2,093)	(1,333)	(760)	5,895	(601)	(601)	-
Net capital expenditure	221	93	247	154	414	360	360	-

* cost of goods sold is a non cash accounting adjustment

5.3.1 Year to date

- A favourable operating variance of $13k, prior to cost of goods sold due to:

  - Higher operating revenue of $174k primarily due to increased volume of logging than was planned. This has offset the current reduced log price.

  - With increased volumes, operating expenditure was $187k higher than budget due to increased costs of harvesting and cartage.

  - The unfavourable non-cash variance for cost of goods sold of $747k reflects the higher valuation of the forestry investment, compared to budget. With the higher than budget volume logged, this gives a much higher cost of goods sold. A review of forestry cost of goods sold will be done this quarter to examine methods to more closely align it with the actual current cost of logs harvested.

- Capital expenditure is lower than budget due to lower requirements than anticipated at budget time.

5.3.2 Forecast to 30 June 2012

There are no changes from budget.

5.4 Regional Parks

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	4,580	3,951	3,930	21	5,911	5,898	5,898	-
Operating expenditure	4,505	4,042	3,964	(78)	7,234	6,157	6,121	(36)
Operating surplus / (deficit)	75	(91)	(34)	(57)	(1,323)	(259)	(223)	(36)
Grants for Baring Head purchase	-		-	-	1,100	-	-	-
Operating surplus / (deficit)	75	(91)	(34)	(57)	(223)	(259)	(223)	(36)
Baring Head purchase			-	-	1,775	-	-	-
Net capital expenditure	141	181	382	201	(1,581)	512	512	-

5.4.1 Year to date

- An unfavourable operating variance of $57k, due to higher expenditure in relation to:
  - Higher personnel cost due to redundancies.
- Capital expenditure was below budget due primarily to:
  - Delayed fence replacements at Waitangirua park
  - Delayed replacement of the water supply pipelines in the northern farming block of Queen Elizabeth Park.

Both of these capital works will be completed this year.

5.4.2 Forecast to 30 June 2012

The forecast operating deficit is $36k worse than budget. This reflects the unbudgeted costs of redundancies offset slightly by savings from current vacancies.

5.5 Public transport

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	55,129	61,055	61,123	(68)	84,550	93,124	91,797	1,327
Operating expenditure	55,807	61,916	62,215	299	86,300	95,610	93,572	(2,038)
Operating surplus / (deficit)	(678)	(861)	(1,092)	231	(1,750)	(2,486)	(1,775)	(711)
Net capital expenditure	23	17	150	133	37	22	252	230

5.5.1 Year to date

A favourable operating variance of $231k, comprising lower revenue of $68k and lower expenditure of $299k.

- Operating revenue is $68k below budget due to:
  - Grants and Subsidies revenue being $367k below budget which reflects the overall reduction in operational expenditure.
  - The above was offset by SuperGold card revenue which was $237k above budget due to increased patronage as well as increased fare revenue of $44k.
- Operating expenditure is $299k below budget primarily due to:
  - Systems and information expenditure was $434k below budget due to reduced bus and train timetable production costs and real time information maintenance costs.
  - Administration expenditure, which is $202k below budget reflecting changes in timing of this expenditure.
  - The above is offset by SuperGold card expenditure which is $236k above budget due to increased patronage as well as increased expenditure on diesel bus operating contracts of $100k, due to higher inflation costs.

5.5.2 Forecast to 30 June 2012

The forecast unfavourable operating variance of $711k is comprised of higher expenditure of $2,038k and increased revenue of $1,327k.

- Operating revenue is forecast to be higher than budget due to:
  - Increased grants and subsidies because of the overall forecast increase in expenditure and an increase in the total mobility financial assistance rate to 60%.
- Operating expenditure is forecast to be higher than budget due to:
  - Increased expenditure on rail operations of $776k due to increased rolling stock maintenance and insurance costs.
  - SuperGold expenditure is forecast to be $560k over budget due to increased patronage.
  - Diesel bus operating expenditure is expected to be $222k above budget.
  - Administration expenditure is expected to be $519k above budget due to ROM costs that weren’t budgeted.

5.6 Public transport improvement projects

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	83,930	69,195	108,810	(39,615)	116,365	117,316	128,092	(10,776)
Operating expenditure	83,621	73,425	122,059	48,634	123,823	142,589	175,117	32,528
Operating surplus / (deficit)	309	(4,230)	(13,249)	9,019	(7,458)	(25,273)	(47,025)	21,752
External debt revaluation gains /(loss)	-	-	-	-	(1,238)	-	-	-
Operating surplus / (deficit)	309	(4,230)	(13,249)	9,019	(8,696)	(25,273)	(47,025)	21,752
Net capital expenditure	465	1,710	3,012	1,302	3,159	3,134	3,968	834

5.6.1 Year to date

Overall, a favourable operating variance of $9,019k, comprising lower expenditure of $48,634k and as a result of this lower expenditure, reduced revenue of $39,615k.

- Operating expenditure was lower than budget due to:
  - Expenditure on the Matangi trains being $41,001k behind budget and reflects some changes to the timing of payments.
  - Expenditure on the Ganz Mavag refurbishment is $3,735k behind budget due to delays in the refurbishment of the fleet.
  - Expenditure on rail infrastructure upgrades is $363k below budget due to a credit received from Kiwirail for overcharges in 2010/11.
  - Trolley bus infrastructure renewals are $582k behind budget due to timing of work carried out.
  - Expenditure on Rail stations and car park renewal is $1,328k behind budget due to timing.
- Capital expenditure was $1,302k below budget mainly due to delays to the full roll-out of the Real Time Information Systems.

5.6.2 Forecast to 30 June 2012

The forecast favourable operating variance of $21,752k is comprised of lower expenditure of $32,528k and increased revenue of $10,776k.

- Operating expenditure is forecast to be lower than budget due to:
  - Expenditure on the new Matangi units is expected to be $17,444k below budget due to a change in the timing of payments for trains.
  - The Ganz Mavag refurbishment project is forecasting a reduction in expenditure of $11,000k compared to budget, due to a delay in the final sign-off for the GM prototype which impacted on the signing of the contract for the refurbishment of the rest of the fleet.
  - Rail infrastructure upgrades are forecasting savings of $3,309k as most of the projects were substantially completed in the last financial year.

- Operating revenue is forecast to be lower than budget due to the reduced expenditure discussed above.

Capital expenditure is forecast to be $834k below budget mainly due to the change in timings of the payments on the Real Time Information project.

5.7 Strategy & Community Engagement

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,918	6,758	6,949	(191)	8,972	10,507	10,675	(168)
Operating expenditure	5,760	5,651	6,457	806	8,657	9,964	10,098	134
Operating surplus / (deficit)	158	1,107	492	615	315	543	577	(34)
Net capital expenditure	54	738	800	62	178	1,101	1,332	231

5.7.1 Year to date

Overall a favourable operating variance of $615k, comprising lower expenditure of $806k and reduced revenue of $191k.

- Operating revenue is lower than budget due to:
  - Reduced grant revenue from NZTA due to lower expenditure on projects that receive funding.
  - Timing of contributions for the PT Spine Study.
- Operating expenditure was lower than budget due to:
  - Reduced expenditure in Transport Planning of $270k that relates to savings of $90k made on the Hutt Corridor Study, delays with the Western Corridor Study and reduced expenditure of $60k on the PT Spine Study to date.
  - Reduced expenditure of $103k relating to timing of signage and display systems, subscriptions and timing of the ‘attitudes and awareness’ survey.
  - Reduced expenditure on Iwi Projects and GW Capacity training of $87k to date.
  - Costs for the LTP that were expected now will flow through in the next month or so which is also contributing to the favourable variance. There were savings of $31,000 on completing the 2011 annual report.
- Capital expenditure is slightly behind budget. This variance is due to timing of payments to consultants working on the transport model. Forecast expenditure on the model has been reduced as some work carried out on the model last year will not need to be completed again.

5.7.2 Forecast to 30 June 2012

The forecast surplus of $543k is $34k less than budget mainly due:

- Savings of $140k expected on completing the Hutt and Western Corridor Plans.

- Grant Revenue reduced by $168k as the forecast expenditure on the transport model will be less than budget.

5.8 Other Corporate

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,199	4,899	4,756	143	7,788	8,564	8,543	21
Operating expenditure	5,086	4,604	4,609	5	7,742	8,338	8,375	37
Operating surplus / (deficit)	113	295	147	148	46	226	168	58
Net capital expenditure	61	429	635	206	93	972	922	(50)

Other Corporate includes HR, Democratic services, Chief Executive, Emergency management, Development projects and Councillor costs

5.8.1 Year to date

Overall a favourable operating variance of $148k, comprising lower expenditure of $5k and higher revenue of $143k.

- Operating revenue is higher than budget due to contributions received from TA’s for their share of the CDEM costs.
- Operating expenditure is in line with budget.
- Capital expenditure for the year is $206k lower than budget. This relates to timing of payments related to work carried out on the Wairarapa Water Use Project. The budget for this project sits within the Development Group.

5.8.2 Forecast to 30 June 2012

The forecast operating surplus is $58k higher than budget mainly due to the savings in Democratic Services due to the restructure.

5.9 Finance and Support

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Operating revenue	5,317	5,307	5,174	133	9,108	7,783	7,763	20
Operating expenditure	5,045	4,851	5,781	930	8,006	8,756	8,727	(29)
Operating surplus / (deficit)	272	456	(607)	1,063	1,102	(973)	(964)	(9)
Net capital expenditure	378	224	1,022	798	660	1,072	1,072	-

5.9.1 Year to date

Overall, a favourable operating variance of $1,063k comprising higher revenue of $133k and lower expenditure of $930k.

- Operating revenue is higher than budget due to rates penalties being higher than expected.
- Operating expenditure is lower than budget due to:
  - The timing of rates collection fees paid to TA's of $373k, this will be back on budget for the year.
  - Lower depreciation and finance costs due to lower capital expenditure last year.
  - Timing of ICT projects $293k.
- Capital expenditure for the year is $798k behind budget due to delays in network upgrades. This project is currently being scoped with no change to the full year forecast expected.

5.9.2 Forecast to 30 June 2012

The forecast deficit for the group is expected to be close to budget.

5.10 Investment management

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	3,406	3,696	2,700	996	7,159	8,595	7,082	1,513
Operating expenditure	(1,834)	(2,623)	(3,484)	(861)	(2,784)	(3,852)	(4,339)	(487)
Operating surplus / (deficit)	5,240	6,319	6,184	135	9,943	12,447	11,421	1,026
Net capital expenditure	54	290	1,616	1,326	252	565	2,424	1,859

5.10.1 Year to date

Operating revenue is $996k ahead of budget due to higher interest revenue of $1,186k from money market investments and deposits, and $72k higher other interest revenue, offset by $253k costs for swaps.

Net operating expenditure recoveries are $861k less than budget. This is mainly due to $968k lower internal debt interest recovery, as there is slower capital expenditure by other Groups.

5.10.2 Forecast to 30 June 2012

The operating surplus is forecast to be $12,447k, which is $1,026k higher than the budget surplus of $11,421k. The main reason being increased investment revenue from higher interest margins on liquid financial deposits, short term deposits and a higher dividend from CentrePort. This increase is offset by reduced internal revenue from internal loans.

5.11 Investment management – Non operational movements

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Investment - GW Rail	1	-	7,874	(7,874)	13,341	27,208	39,781	(12,573)
Valuation Movements	-	-	-	-	2,798	288	288	-
Operating surplus / (deficit)	1	-	7,874	(7,874)	16,139	27,496	40,069	(12,573)

5.11.1 Year to date – GW Rail investment

An unfavourable variance of $7,874k is due to the timing of the grant from the Public Transport Group to fund the share capital of Greater Wellington Rail.

5.11.2 Forecast– Matangi investment

The grant from the Public Transport Group to fund the share capital of Greater Wellington Rail is forecast to be $12,573k below budget due to the timing of the Matangi train purchase.

5.12 Warm Greater Wellington

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	26	247	218	29	38	532	532	-
Operating expenditure	1,264	3,537	2,221	(1,316)	(242)	4,841	3,333	(1,508)
Operating surplus / (deficit)	(1,238)	(3,290)	(2,003)	(1,287)	280	(4,309)	(2,801)	(1,508)
Net capital expenditure	-	23	-	(23)	-	-	-	-

5.12.1 Year to date

Overall, an unfavourable operating variance of $1,287k, primarily due to the programme being taken up by more ratepayers than expected.

The number of approved applications is 4153 and of these 3,247 applications have been completed and paid as at 28 February, with 1,950 of these being paid for this financial year.

5.12.2 Forecast

The forecast expenditure has increased by $1,508k due to the increased number of participants in the scheme.

5.13 Water

Financial Summary	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
Operating revenue	17,842	18,116	18,200	(84)	27,050	27,299	27,299	-
Operating expenditure	18,267	19,710	20,351	641	27,969	30,597	30,627	30
Operating surplus / (deficit)	(425)	(1,594)	(2,151)	557	(919)	(3,298)	(3,328)	30
Net capital expenditure	3,554	5,321	10,630	5,309	7,393	11,192	16,692	5,500

5.13.1 Year to date

Overall a favourable operating variance of $557k compared to budget, due to:

- Operating expenditure being $641k lower than budget due to:
  - A record low level of water demand in December and January led to a corresponding reduction in expenditure on chemicals and power for the quarter. This saw a favourable variance in materials and supplies of $222k.
  - Reduced finance costs of $350k due to the lower level of capital expenditure for the lakes upgrade and deferred purchase of land for Lake 3.
- Capital expenditure is $5,309k under budget due to lower costs of consultants. Much of this relates to under-spending on the Stuart Macaskill Lakes upgrade project, which has achieved project savings to date, and expenditure on the lining contract was below forecast for February. The cost of the liner is accounted for under project supplies. Expenditure on the upgrade project will rise from January.

5.13.2 Forecast to 30 June 2012

The forecast operating expenditure has reduced by $330k due to reduced finance costs being less as a result of lower capital expenditure in the last financial year.

Capital expenditure is forecast to be $5,500k lower than budget due to the extended time frame for the Te Marua Lake 3 land purchase and the lower tender costs for the Stuart Macaskill lakes seismic strengthening project.

6. Finance costs

Finance Costs	For the 8 months ended 29 February 2012				For the year ending 30 June 2012			
	Last Year $000s	Actual $000s	Budget $000s	Variance $000s	Last Year $000s	Forecast $000s	Budget $000s	Variance $000s
	3,444	4,681	5,130	449	5,424	7,532	8,533	1,001

6.1 Year to date

Overall, finance costs are lower than budget due to lower internal debt interest as there is slower capital expenditure by other Groups.

6.2 Forecast to 30 June 2012

Finance costs are forecast to be $1,001k favourable to budget due to reduced capital expenditure, which will in turn reduce internal borrowing.

7. Communication

No communications are necessary at this time.

8. Recommendations

That the Council:

1. ***Receives** the report.*
2. ***Notes** the content of the report.*

Report prepared by:	Report approved by:
Chris Gray	Bruce Simpson
Manager, Finance & Support	Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet